

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Beckman Research Institute of the City of Hope
Amendment to Loan Agreement

Staff Summary
Resolution No. 2006-10

October 26, 2006

ISSUE:

Beckman Research Institute of the City of Hope (“Beckman”) is requesting an amendment to its Loan Agreement to: (i) change the interest rate of the existing tax-exempt bonds; (ii) provide for an extension of the “Prepayment Date” as defined in the Loan Agreement; and (iii) adding definitions to allow for the execution of an interest rate swap agreement.

BACKGROUND:

The Authority approved the issuance of bonds for Beckman in the aggregate amount of \$12,650,000 on March 30, 2000, for the purposes of construction, renovation, equipment purchases and seismic retrofitting projects in Duarte. The bonds were privately placed with Wells Fargo Bank (“Wells Fargo”) in April 2000 in the amount of \$12,650,000.

On February 27, 2004, an amendment to the Loan Agreement was made to pay down a portion of the existing tax-exempt bonds in order to change the use of a portion of the facility financed with the tax-exempt bonds. As of September 30, 2006, approximately \$4,300,000 remains outstanding.

Beckman proposes to change the effective rate of interest from 64% of the one month LIBOR plus 1.25% per annum to 64% of the one month LIBOR plus 1.00% per annum. Beckman further proposes to extend the prepayment date from April 1, 2010 to November 1, 2016. Updating the definitions will allow Beckman to enter into an interest rate swap agreement so Beckman can fix its interest rate, resulting in cash flow improvement and community benefit savings. Wells Fargo, as sole bondholder, is in support of this amendment.

STAFF RECOMMENDATION:

Staff recommends the Authority approve the proposed amendment to the Loan Agreement to change the interest rate on tax-exempt bonds: extend prepayment date; and update the definitions.